

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Plus 1D (CP2016-193)
Negotiated Service Agreement

Docket No. CP2017-257

PUBLIC REPRESENTATIVE COMMENTS ON NOTICE OF
THE UNITED STATES POSTAL SERVICE OF FILING MODIFICATION TWO TO A
GLOBAL PLUS 1D NEGOTIATED SERVICE AGREEMENT

(August 21, 2018)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to the Commission Notice Initiating Docket(s).¹ In that Notice, the Commission reopens the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of modification two to Global Plus 1D Negotiated Service Agreement.²

II. BACKGROUND

The Commission previously approved the addition of the Global Plus 1D product to the competitive product list in Order No. 3395.³ The Commission has designated the

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, August 14, 2018 (Notice).

² Notice of the United States Postal Service of Filing Modification Two to a Global Plus 1D Negotiated Service Agreement, August 13, 2018 (Modification Two).

³ Docket No. CP2016-193, Order Adding Global Plus 1D to the Competitive Product List and Approval of Designation as Baseline Agreement, June 29, 2016 (Order No. 3395).

agreement subject of Docket No. CP2016-193 as the baseline agreement for the Global Plus 1D product. *Id.* at 5. The Commission approved the additional Global Plus 1D agreement subject of the current docket (Existing Agreement) in Order No. 4048.⁴ The Existing Agreement is scheduled to expire on August 31, 2018. *Id.* at 10. The Modification Two revises certain articles in the Existing Agreement and extends the agreement to August 31, 2019. Modification Two at 1. The Modification Two is scheduled to become effective on September 1, 2018. *Id.*

III. COMMENTS

The Public Representative has reviewed the Postal Service's documentation filed under seal with the Modification Two. The Public Representative has also reviewed the documentation previously filed in the instant docket. The Public Representative concludes that the Existing Agreement, as modified, will continue to be functionally equivalent to the baseline agreement. The revised financial workpapers indicate that the Existing Agreement, as modified, should generate sufficient revenues to cover costs.

Functional Equivalence. Customers for Global Plus 1D contracts include Postal Qualified Wholesalers and other high-volume mailers that offer mailing services to end users for shipping articles via International Priority Airmail, International Surface Air Lift, Priority Mail Express International, Priority Mail International and/or Commercial ePacket service. Order No. 4048 at 2. Prices under the Global Plus 1D contracts may differ depending on the volume of postage commitments made by the customers. *Id.* The Public Representative observes that the Modification Two does not fundamentally alter the services the Postal Service provides under the Existing Agreement. The Public Representative concludes that the modified contract continues to meet the criteria for inclusion within the Global Plus 1D product.

Cost Considerations. Pursuant to section 3633(a), prices for competitive products must cover each product's attributable costs, not result in subsidization of

⁴ Order Approving Additional Global Plus 1D Negotiated Service Agreements and Conditionally Approving Modifications, August 16, 2017 (Order No. 4048).

competitive products by market dominant products, and ensure that all competitive products as a whole collectively contribute an appropriate share of the institutional costs of the Postal Service. In its FY 2017 Annual Compliance Determination (ACD) Report, the Commission found that Global Plus 1D product was not out of compliance with the requirements of U.S.C. § 3633(a)(2).⁵ The FY 2017 financial results for the Existing Agreement show that the contract covered its costs in FY 2017.⁶ After reviewing the financial workpapers filed with Modification Two, the Public Representative concludes that under modified prices, the contract should continue to cover costs, and should allow the Global Plus 1D product to continue to comply with U.S.C. § 3633(a)(2).

The Commission will have an opportunity to review the revenue, volume and cost data for the modified contract in the future ACD Report.

IV. CONCLUSION

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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⁵ Docket No. ACR 2017, Annual Compliance Determination, March 29, 2018 at 90.

⁶ Docket No. ACR 2017, Library Reference PRC-LR-ACR2017/NP2.